

CAN THE AMERICAN/BRITISH BUSINESS PARK MODEL BE
TRANSPLANTED INTO THE ILE-DE-FRANCE REGION? A
RECOMMENDED APPROACH FOR BRITISH DEVELOPERS.

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ABBREVIATIONS

PG Property Week
EG Estates Gazette
FT Financial Times

Abstract

With increasing emphasis being put on cities to compete with their European and International counterparts, it is becoming apparent that patterns in real estate development, investment and use are becoming more synchronised. Despite different local practices, European legislation has an increasing impact on spatial planning through environmental and economic policy which can also be considered therefore to be converging across European countries. However, there are often complex local issues which have to be taken into consideration and a simple transplantation of a concept into another country may not be possible. This report is a study into the feasibility of transplanting the business park model into Ile-de-France where such products are only just beginning to emerge. It explores the current market situation taking into account development and planning factors and their influence on future projects of this type. The outcome of the findings propose a recommended approach for British developers in Ile-de-France.

CHAPTER 1 INTRODUCTION

Property trends are generally considered to move from West to East (Keers, *PW* 2001), as is the case with business parks which were originally developed in the United States. Business parks in the UK are progressively being discouraged by the government. It is now very difficult to gain permission to build such a development on a greenfield site (Attabiyeh, *EG* 2004). It can also be considered that this type of product is becoming less desired by tenants in the UK due to increasing competition from city centres, leading to problems in over-supply. (Cronin *EG* 2005, Pickard *FT* 2005). The business park market in the UK is thought to be exploited due to this over-supply and strict planning restrictions. Actors are looking for a new market for business park development. In the last five years, two large British business park developers have recognised the development opportunities which exist in the Ile-de-France region. Arlington have developed the Val d'Europe business park near the Eurodisney site in Marne-la-Vallée (completed in 2003, and Akeler is developing a site 12km south of Paris (completion due in 2006).

Office markets in London and Paris

Paris and London provide the greatest office stock in Europe, both exceeding 40 million sqm (Cahiers de l'IAURIF). This is particularly large relative to the size of their populations and employment markets. This over-concentration is due to the presence of large corporations and public sector institutions and all their associated support services. The London region and Ile-de-France (see figure 1: Map Ile-de-France) are thus often considered to be in direct competition with one another for attracting investment (Lipietz 1995; Deyon 2000 p16). However, the type of office accommodation provided by both is very different.

The London office market provides a variety of high-quality stock in the CBD and the out-of-town market which supplies accommodation for different tenant profiles. The financial centre is located in the City and there is a high concentration of offices in the West End. Business parks and other out-of-town alternatives offer large high-quality floorspaces.

The Ile-de-France can be divided into 3 main markets; Paris city, First ring and Second ring (see figure 2: Map Paris office market). Ile-de-France's office market

is traditionally centred around the Central Business District and areas to the west of the capital. The main areas for offices are thus the 8th, 16th and 17th arrondissements of the *Ville de Paris* and La Défense. The prime market is known as the 'golden triangle' of the 8th arrondissement (see figure 4: Map Triangle d'or). 'The Current Ile-de-France office market favours the centre where the best quality buildings are situated. Unlike the office sprawl present around the British capital, outside the centre and key business districts such as La Défense, the main type of commercial property consists of industrial zones which are not of comparable quality' (Firetto, L'Officiel de l'immobilier d'entreprise, 2004). The office developments outside the CBD are not generally built to a high specification and may not be pure office buildings. The standardised product of a business park, present across the South-East of Britain, has not been replicated on the same scale in Ile-de-France.

Definition Of Business Parks

For the purpose of this report, business parks are considered according to the UK/US model; developed on greenfield sites on large areas of land, with landscaped grounds, attention to the architectural harmony of the park, low density of buildings, and common shared services among its users (see figure 5: Picture of UK business park). The typical tenant profile is large companies, both national and international.

Report Aim

The aim of this report is to recommend an approach for British developers wishing to enter the Ile-de-France market. The report considers the possibility of transplanting the concept of business parks from both the Development and Planning perspectives. These factors are considered to be the most relevant to a foreign actor seeking to develop business parks in Ile-de-France because the Public authorities' role and policy is key for a development to take place and the nature of the development market must be clear before a developer considers launching a project in an unknown country. During the course of the research for this report, no such recommendations for business park development in France have been found.

Literature Review

Academic Books: I have referred to texts which analyse the planning system in France (Selod; EU Compendium; Le Galès; Deyon, Frémont), and to texts which discuss spatial planning in the context of Europe (Newman, Thornley). The debate on institutional transplantation (Lalenis, Konstantinos; de Jong, Martin) discusses the feasibility of transplanting policy concepts into other European countries. Other books provided practical information concerning business park development and property location (Schiller; Waldy; NAIOP).

Academic Journals: Articles pertaining to the out-of-town/urban centre debate (Power; Schiller) have been consulted and those concerning the social dynamics of city centres and their future (Hall; Worcester). Other articles analyse urban planning in the UK, France and Europe (Healey, Williams; Lipietz; Boon).

Professional Press: Reviews such as the Estates Gazette and Property Week provided up-to-date analyses of the UK and French property markets and recent developments in planning policy.

Masters' Theses: Previous Theses provide analyses of office parks in Europe (Spearing) and studies of urban planning in France (Ahmed). A strategy for a suitable location for business parks in Ile-de-France was also consulted (Oberg).

Agents' Office Market Reports: These provide an overview of office markets in France and the UK with information regarding demand and supply factors and general market impressions.

Articles on the internet: Various websites provided information about planning and transport policy in the UK and France. Property industry websites discuss the markets and forecast trends.

Hypothesis

The hypothesis of this report is that the British/American business park model cannot be successfully replicated in the Ile-de-France region. The French market is traditionally considered a difficult market to enter, it is a comparatively closed market with financial and tax constraints and the significant role of the State can be considered to impede competitive market practices. Toby Monkton of Slough Estates (see Appendix A of meetings) believes that there are too many fiscal and cultural barriers for this type of transplantation to be successful. Continental cities are traditionally focussed on the city centres for living, working and recreation (Lawson *PW* 2002). One foreign developer, Arlington, has already tried to enter the market by locating the first UK-style business park in France. The development has so far not been a success and remains entirely vacant

despite intensive marketing and the development and regeneration of the surrounding area.

The economic context for the business park development boom in the UK in the 1980s was very different from that in France where economic conditions are only just improving after the recent economic downturn. If property markets are considered to becoming more synchronised (Lizieri, *Journal of Real Estate Research* 2003; *Cahiers de l'IAURIF*), then it may be possible that Ile-de-France will not have the business park boom experienced in the UK at all and instead will develop British trends sooner. There is currently a progression in the UK towards urban business parks in in-town locations. Ile-de-France may skip the out-of-town phase altogether and move towards similar schemes in urban locations instead.

Methodology

I have conducted my research by assessing office and business park development in the South East of England from professional articles, agents' reports, planning policy reports, interviews with professionals in the industry and academic journals. I have carried out this analysis to gain an understanding of the out-of-town business park phenomenon in the South East and to assess the trends of future office development.

I compared these trends to the office market in Ile-de-France for which I sourced information by conducting interviews with professionals based in Ile-de-France in the fields of asset management, investment and valuation of property in order to gain an overview of, and opportunities in, the Ile-de-France office market. They are also aware of occupier behaviour and preferences which will help to assess demand for business parks. In order to identify the type of developments similar to business parks already present in Ile-de-France and to understand the strategy of developers, I interviewed office, industrial and business park developers in Ile-de-France. I spoke with a British Foreign Office representative specialised in French government policy particularly concerned with '*Pôles de compétitivité*'. Most of the information obtained is market information as this was considered to be the most relevant to this study. Much importance was placed on meeting actors present in the market because trends and general impressions are not documented or are not up-to-date in the literature. A

summary of these meetings and a sample interview can be seen at Appendices A and B.

I visited business parks in the South-East (Chiswick Park, Stockley Park) and Ile-de-France (St. Quentin en Yvelines, Paris Nord 2, Issy-les-Moulineaux, Val d'Europe) in order to see examples of this product and to compare the type of business park stock currently available around the two capitals. My work placements at DTZ in London and Paris provided me with additional information and professionals with whom to discuss the topic.

The report is organised in the following way: Chapter Two outlines the Ile-de-France and South-East office markets and discusses the emergence of business parks in the UK and their equivalent in Ile-de-France. It highlights British developers' presence in France in the context of their European strategy. Chapter Three discusses the important role of the State in France, how it influences the development process and its role in transport provision. Chapter Four analyses the current Ile-de-France office market with particular emphasis on the out-of-town market. This chapter considers the concept of the business park in Ile-de-France, and highlights areas of opportunity and potential complications for the developer. Chapter Five proposes a recommended approach for the developer in Ile-de-France, suggesting two possible options. Chapter Six concludes the report by making recommendations to the developer based on the findings of the previous chapters and the two options proposed in Chapter Five.

Limitations

This study only covers the Ile-de-France region as this is considered to be the most important office market in France and the area which attracts the biggest concentration of international companies (Cahiers de l'IAURIF). However, it should be noted that other regions are already moving towards developing this type of stock, notably Toulouse, Marseille, Lille and Lyon. Ile-de-France is compared to the South East region of the UK as this is its closest comparable market in the UK. The study does not seek to propose specific locations for development but to recommend an approach for foreign developers of business parks in the region. This report does not cover Science Parks, Technology Parks or Research Parks and only deals with parks which principally accommodate office and tertiary activities.

CHAPTER 2 THE EMERGENCE OF BUSINESS PARKS

Business Parks

Business parks in the UK were developed during the property boom of the 1980s and were closely related to the IT and technology boom which accounted for a large proportion of the tenant profile (Pickard *FT* 2005). There was a major restructuring of the economy from manufacturing and industry to service-led growth. Concurrently, in the South of England, the construction of the M25 around Greater London opened up new intersections and improved accessibility which was a major factor in the explosion of business park developments. This also coincided with the beginning of the demise of urban centres when the middle classes relocated to the suburbs (Waldy 1986).

Over twenty years later, there is some question with regard to the future of business parks (Pickard *FT* 2005). As well as policy pressure to reduce greenfield development (discussed in Chapter 3), it appears that business parks are also suffering from a fall in demand in the UK. 'The town centre is back in fashion, and mixed-use developments where people can live, work and play are all the rage [...] It is a worrying development for UK business parks in general. They are under increasing pressure to improve their amenities in the face of competition from emerging town-centre locations' (Cronin *EG* 2005).

Existing Business Parks in Ile-de-France and Developers

In line with Keers' theory of property trends moving from West to East, the original concept of parks for commercial activity in France came from the UK. At the time, these took the form of light-industrial parks (*parcs d'activité*) providing accommodation for SMEs. However, these are remote and hard to access with inflexible buildings and no additional services or amenities (Interviews Martin; Roussel).

Europarcs and *Parcs Club* were developed in the late 1970s and 1980s. These are primarily separate office buildings grouped on a single site, occasionally with additional services. At the time, these were developed by CFC and Meunier. *Europarcs* are of a low specification and are all identical to one another. They do not provide any facilities and were often developed next to a good restaurant rather than including their own (Interview: Martin). *Parcs Club* are more

upmarket than *Europarcs* with better services such as central security services but are not comparable to the campus-style UK business park.

SILIC specialised in industrial property since the 1950s with the standard format of ground floor warehouses and offices above. After the property slump in the 1980s, SILIC began redeveloping many previously industrial sites into offices. SILIC produce a blueprint building which is replicated in different locations (see figure 6: Typical SILIC park). They are usually situated near airports, notably their two main sites are next to Orly and Roissy. They have also developed smaller parks around Ile-de-France. The tenant profile of these buildings is predominantly company head offices. However, these cannot be considered pure business parks and are indeed in the category of 'Upgraded Industrial Estates' (Waldy 1986). In their larger parks however, for example in Roissy, the tenants are large international companies and head or regional offices eg. Sara Lee, AXA, LG, Tetrapac. CFC Development have also developed 17 or 18 such parks with around 80% office space and 20% laboratory or research facilities. The parks provide some common services such as security and postal services but no restaurant or cafeteria.

Keers states that French business parks exist but they are dissimilar from the Thames Valley model. Andy Martin, head of investment at Strutt & Parker confirms this assertion, 'The French have tried business parks, but it has all been piecemeal. The concept of having a single developer and a coherent master plan is not something they've done on a large scale.' (Keers 2001). Local authorities in Paris usually release land in large chunks, selling to various developers and owner-occupiers which means that offices and industrial buildings are often mixed together on the same site (Keers, 2001).

British developers in Ile-de-France

Some UK developers have begun to recognise the opportunities that Ile-de-France may offer for business parks. Their development concept has worked well in the UK and they have considerable expertise in this area. Thus, they are looking for opportunities to export this idea to the continent.

Toby Monkton of Slough Estates asserts that there is no real comparable business park product other than Arlington's 177 hectare project in Marne-la-Vallée, 32km east of Paris (see figure 7: Map Val d'Europe). The business park is

part of a project of development including the Eurodisney theme park and hotels, residential developments, a large shopping centre and office complexes (see figure 8: Map of Val d'Europe developments). The entire development is supported by the State who offered incentives to develop and they extended the transport infrastructure. The University campus of Marne-la-Vallée is due to be extended in the town and more exhibition centres are also planned. Their objective, however, is not to compete with the 'Golden Triangle' of offices in Paris, but is hoped to be similar to the out-of-town / urban offer in the UK; that all locational decision makers will be aware of and will consider the alternative they are offering. "Before long it will become a real alternative which will be considered in every important relocation decision in the Parisian region" (Firetto *L'Officiel d'Immobilier* 2004).

This is the only true example of a UK-style business park in Ile-de-France, with all the characteristics associated with this such as security, amenities, landscaped grounds, high-specification buildings and attention to architecture (see figure 9: Picture Val d'Europe business park). The park, however, which was completed in 2003 remains completely vacant. Arlington insist that the park was developed with a long-term 20-year strategy and believe that the transport infrastructure of airports, train stations and the Eurostar will be the secret of its success in the long term (Keers *PW* 2001).

This was Arlington's first attempt at developing business parks in mainland Europe after it had aborted attempts in France and Italy in the 1990s due to difficult market conditions (Jameson *PW* 2000). Val d'Europe was intended for offices, hi-tech industrial and mixed services to include small retail, hotels and business centres. According to Frank Firetto, Development Director, Arlington France, the aim of Arlington's park in Ile-de-France is not only to provide comparable quality to what is available in the centre, but also to supply better services in terms of IT and communications (*L'Officiel d'Immobilier* 2004). They place a lot of emphasis on the favourable environment, high security, promoting the well-being of employees and companies. Firetto states that in order to achieve this, a suitable location is essential in terms of transport, supply of skilled workers, a pleasant environment, international visibility and connection to all types of networks and facilities (*L'Officiel d'Immobilier* 2004). Arlington has worked with local partners, planners and closely with the '*municipalité*' in order to achieve a coherence across the whole Val d'Europe project (Interview: Young).

Akeler is also developing a site situated 12km south of Paris near Orly airport called the *Air Park de Paris* on an 8 hectare site with permission to build 77,000 sqm of office space (see figure 10: Map Individual locations). Their Chief Executive, James Cole states in Property Week (2005), "We identified France and Italy as the key markets, as that was where our customers wanted to be; but they were having difficulty finding our type of campus-style product'. The first phase of development comprises two office buildings of 7,430 and 5,575 sqm and a 1,860 sqm mixed-use amenities suite. This first phase will be ready in July 2006.

Elsewhere in Europe

Development in France appears to be part of a wider strategy of European expansion for British business park developers, 'Having conquered the UK, Arlington is setting its sights on continental Europe and beyond. This week it made four appointments in Europe in its bid to export its business model overseas and become a pan-European property company that is run locally, not from the UK.' (PW 2005). Patrick Deigman, head of Arlington says, "Europe and International are the two areas that excite me. Equities and bonds are dealt with on a pan-European basis, so why not property? It opens up to a whole lot of different economies with different cycles, which will enable us to spread our risk." As part of its new European strategy, Arlington are also developing business parks in Madrid and Barcelona after having bought a Spanish property company in January 2005 (Cruise, PW 2005). They are also developing a business park in Lyon (Interview: Young).

Akeler launched the Quinta da Fonte business park in Portugal which has become one of the few well-established business parks in continental Europe. However, the development faced many unexpected complications regarding planning, law and business culture (Keers, 2001). A Czech developer has built a business park in Prague which is an exact replica of Chiswick Park in the UK. It is successful and shows that the transplantation of such a concept is possible in the right market (Interview: Leyburn).

CHAPTER 3 Planning and State Intervention

Planning

In the south-east of the UK, developing business parks on greenfield sites is now rarely possible because of a shift in public policy. Developers are more likely to gain permission on brownfield sites as was the case with Stanhope's Chiswick Park. Government programmes such as the PPG13 transport and planning policy¹, business planning zones and demands for sustainability are changing the look of the UK's business parks. UK trends are towards urban business parks, mixed-use, higher densities and building communities instead of parks which are lifeless in the evenings and at weekends. In the UK, the PPG6 Planning Policy for town centres promotes sustainable development leading to 'vital and viable town centres'. The policy will leverage investment for new development into town centres. Large out-of-town developments will be unlikely at least until the central and edge-of-town opportunities have been used up.

Ile-de-France, too, has been developing urban schemes such as Saint-Denis and Rive Gauche (see figure 10: Individual Locations). Saint Denis in the north of Paris, next to the Stade de France, is a particularly active area with a lot of development aided by State support and incentives. The area is predicted to constitute much of the future supply (Immostat). The *Rive Gauche* is the first office area developed by the Public sector since *La Défense* and provides a mixture of offices, retail, residential and public buildings and is attracting law firms and banks as tenants (Webimmo). Recently there have been more office developments in peripheral urban areas such as Issy-des-Moulineaux and Paris Nord 2 (see figure 10: Individual Locations).

Both French and the UK planning frameworks became more flexible in the 1980s in order to respond to pressures for out-of-town developments. Therefore they began to take a more strategic approach to local economic assets (Healey; Williams 1993). In France, the ZAD (zone d'aménagement différé) allows local authorities to buy large areas of land 'with a view to implementing policy programmes or development projects which are in the public interest, as defined by the *code de l'urbanisme*: Art.L.212-2-1' (EU Compendium p26). This remedies problems of land acquisition and financing allowing the private sector to be involved directly in developments. The ZAC (zone d'aménagement

¹ The aim of which is to 'promote more sustainable transport choices for both people and for moving freight; promote accessibility to jobs, shopping, leisure facilities and services by public transport, walking and cycling, and reduce the need to travel, especially by car' (PPG13 OPDM)

concerté) 'are zones within which a local authority may choose to intervene in order to develop or to arrange for the development and the servicing of land' (*EU Compendium* 2000). It is intended to provide the framework for large-scale urban projects. With considerable State intervention powers; compulsory purchase regulations mean land can more or less always be made available for public development.

Villes Nouvelles

Villes nouvelles were a government initiative initiated in the 1960s to create new agglomerations around Paris in order to decentralise some of the activity in the capital (see figure 3: Map Villes Nouvelles). A major concern in Ile-de-France is the division of economic activity between the centre of Paris, the city of Paris, the *villes nouvelles* and the surrounding areas of Ile-de-France (Deyon; Frémont 2000 p163). The wider concern is the concentration of activity on the Ile-de-France, creating an imbalance with other French regions which has been helped to some extent by the work of the DATAR². The *Villes Nouvelles*, *la Défense* and the *RER* were part of the *Plan Delouvrier* which sought to better the quality of life of inhabitants which was split between work and home. They were and continue to be viewed very unfavourably and have aged very poorly. The concept of out-of-town Business Parks is often associated with this bad reputation. (Interviews: Martin; Bollard).

Marne-la-Vallée was a *Ville Nouvelle* which has been developed further to provide a more complete range of developments and to attract private investment. The State has been actively involved in this project by providing the necessary infrastructure. This is in line with the regional planning strategy of many north-western European countries combining the encouragement of service-sector growth areas close to multi-modal transport/mass transit facilities and ensuring office growth areas are developed coherently (Cahiers de l'IAURIF). Frank Firetto of Arlington stresses that particularly in this crucial stage, the east of Paris remains in need of continued state support, aids and incentives in order to compete with the west.

The *prime d'aménagement du territoire*³ (PAT) is used by the State to intervene regarding the location of economic activity by offering grants. Much local and economic development is undertaken by the municipality. In 1990, a report was produced by the think tanks of the *Institut d'Aménagement Urbain de la Région*

² The French ministry for planning.

³ Development grant

Ile-de-France (IAURIF) setting out the criteria for a plan to 'bypass London in the competition for the title of the 'Megapolis of Europe' (Lipietz 1995). This set out ideas for tax incentives to attract business and plans for further investment in infrastructure. 'Urban development policies can ensure that office space is located coherently in terms of transport networks, access to labour pools and major facilities. They also impact directly on the process of production of new property or the regeneration of existing property.' (Cahiers de l'IAURIF).

French communes are keen to attract commercial property investment as this yields the most tax (*taxe professionnelle*). Commercial activity developments are generally encouraged by French authorities with the overall aim of job creation and are often built on greenfield sites. The availability of land means that development restrictions in the over-crowded South-East of the UK and are very different from the abundant supply in Ile-de-France.

Transport

The main environmental barrier to business parks are issues of access and transport. Although some business parks in the UK have been located next to public transport routes or services have been extended to them, they remain largely car-dependent. This is one reason why the development of further business parks on greenfield sites is being actively discouraged by planning authorities in the UK and why urban business parks are promoted as being more sustainable. Some business parks in the UK that do not have good access to transport provide alternative greener forms of transport such as shuttle buses and cycling facilities. However, this is a significant added cost for the developer, 'What may frighten occupiers and developers is the cost of such schemes.' A private shuttle bus could cost between £70,000 and £100,000 a year to run (Jansen *PW* 2004).

Many commuters in Ile-de-France rely on their cars to get to work (Interviews: Monkton; Roussel) despite the good infrastructure in the region (see figure 11: Map Infrastructure) and environmental policies. It is estimated by CFC Development's Mr Wauquiez that even with public transport infrastructure to access these sites, in reality only 10% of users use public transport. Mr Wauquiez admits that they consider transport factors very little in their developments. They may be used as a marketing tool during the advertising period but in reality have little bearing on companies' use of these parks and are

very costly. He also points out that French commuters do not like travelling long distances to get to work which is another reason why they view business parks unfavourably. Land is relatively cheap and in plentiful supply outside the city resulting in virtually limitless parking provision where required. Indeed, planning attitudes to car-dependency and parking provision are very different in the UK and in France. In the UK, maximum requirements for parking spaces are imposed by planning authorities. In France minimum requirements are made by planners for developments (Interview: Monkton).

It would seem that despite discourses about the environment, it is economic prosperity and competition to attract investment that are the overriding concerns of the public authorities on the continent. 'Other European countries make all the right noises about protecting the environment but are so "flexible" that the car remains king. 'I have never come across a situation where parking controls are an issue,' says Trevor Silver, managing director of Akeler (Lawson *FT* 2000). France appears to have a strict regime based on its '*Plan d'Occupation du Sol*' and '*Plan de Déplacement Urbain*' (aimed to improve transport and limit car-use) but these appear negotiable in the light of economic reality. 'If socio-economic arguments are dominant - which is usually the case - generous parking is built into schemes,' says Ahmed Bouariche, an associate with Arup Transport planning. Thus, job creation is the prime consideration, with the local mayor making independent decisions rather than following central government or EU policy (Lawson *FT* 2000).

Indeed, this factor has put pressure on UK planners who realise that the more relaxed car-regulations in other countries may make them more competitive in attracting investment. 'The fear of losing jobs is a powerful force even here in the prosperous south-east. UK planners have to balance stricter car controls with greater investment in wider issues. If not, plenty of other countries will open their roads to footloose international tenants no matter how much noise they make in public about upholding environmental standards' (Lawson *FT* 2000).

In order to further territorial cohesion, 'the State is responsible for all planning and implementation of the necessary infrastructure for economic development in the form of motorways, rail links, telecommunications, research and higher education facilities' (*EU Compendium* 2000). DATAR has the right to intervene in transport policy at the stage of the *Comité interministériel de l'aménagement du territoire* to express planning priorities (*EU Compendium* 2000 p130).

In Ile-de-France, it seems that public involvement is key to securing good transport infrastructure, as was the case in the Val d'Europe development where the state had a strong role in aiding development and extending the RER network. The problem, however, with the Val d'Europe is that the business park was located not next to the RER train station, but adjacent to the motorway, rendering the park only accessible by road. If car-use policy and EU legislation becomes more strictly enforced in the future as it is predicted to do (Healey; Williams), sites which do not provide public transport provision will have serious problems.

Pôles de Competitivité

The French government's most recent initiative in promoting economic efficiency is the '*Pôles de compétitivité*' which are being promoted to establish sites with a competency in one particular discipline or economic sector. The objective is to combine in one location; private companies, training centres, universities and research and development centres. The French State is investing €750 million in this scheme and will offer incentives, tax breaks and reductions in social welfare contributions for companies taking part. Science and Technology parks have been popular in other regions of France, and have been actively supported by the State (interview: Duncan). This is a France-wide approach and has no set limit in the number of projects, the overall aim is to promote efficiency and generate employment. It is not clear as yet how this will affect commercial property development and developers spoken to for the purpose of this report seem reluctant to be involved in this initiative (Interviews: Wauquiez; Monkton; Roussel). However, it could be an area of opportunity for a developer; giving the added assurance of state support and a higher likelihood of finding a tenant.

However, relying on one single sector for occupancy of buildings obviously poses a greater risk for the developer. Parks in the Thames Valley which had a high proportion of IT and telecommunications companies were hard hit in the UK following the economic downturn of 2001 (McAllister *PW* 2005). For example, Stockley Park was facing vacancy rates of 20-25% in 2002, with a current vacancy of 35% in 2005 (Pickard *FT* 2005).

Policy Transplantation

The importance of adapting a concept to fit into a different legal, cultural and social framework is paramount for both developers wishing to export a concept and for the authorities seeking to import it. Lalenis and de Jong discuss the complications of the transplantation of policy ideas and concepts into other institutional frameworks. It should be understood that setting this concept in a different legal and social context will inevitably change the concept or dilute it. It is pointed out that 'the structural and cultural framework into which institutional transplants are brought will colour their application and this may be quite different from their country of origin. This deviation might of course be positive, but it may also work out negatively and an awareness of the wider system characteristics is crucial to ward off disaster' (Lalenis; de Jong, 2004, p28). For this reason, Mamadouh suggests that 'bricolage' and adaptation to local circumstances is more appropriate than 'xeroxing' an idea in some cases. In certain circumstances a loosely defined model may be preferable to a definite model because it can be adapted. In different countries where occupiers have different priorities and in different market conditions, it will be necessary to adapt the concept of the business park.

It can be considered that the imposition of the idea by an external force may make the transplantation process less likely than if it is adopted voluntarily by domestic actors (Lalenis; de Jong, 2004). However it is concluded that even the imposition of a concept can be made a success with the support of local actors. In the case of logistics parks in Ile-de-France, demand was created when this new concept was introduced. These were introduced to France in the 1990s by American developer Prologis (Interview: Bollard) showing that the transplantation of a development concept into France has worked in the past. Demand was created for a product which until then did not exist. This meant a change in the way logistics companies do business and the grouping of activities in one location made these companies more efficient.

Although some discuss a convergence of planning strategies in Europe (Healey; Williams; Newman; Thornley; Mamadouh; de Jong; Lalenis), the different institutional frameworks of individual countries will continue to influence these strategies. Both UK and French governments attempt to leverage private sector investment in property through various initiatives. As Lalenis, Mamadouh and de Jong point out, 'convergence as a general direction cannot be ruled out, but

results of the recombination, replication, selection and retention mechanisms in various countries will continue to vary' (2004).

CHAPTER 4 Development Market

Current climate

'Paris is tipped to be the top property hotspot in Europe in 2005 according to a study by Price Waterhouse Coopers and the Urban Land Institute. The city's diversity, low vacancy rates and rising take-up in office space won its pole position' (Wright *The Business* 2005).

The economic outlook in France is improving after the slowdown of 2001 to 2003. In 2004, most of the deals that sustained demand were either turnkey projects and owner-occupier operations, particularly for deals over 5,000 sqm. There was significant demand for refurbished buildings in the CBD which had previously been affected by a number of financial companies relocating to the suburbs since 2002. There was a lack of enthusiasm among users to relocate premises to the Northern suburbs (St Denis), but the Montreuil area (inner eastern suburbs) was more successful (see figure 10: Individual Locations). Since mid-2004, immediate available supply has stabilised. It had increased threefold between 2001 and mid-2004, fuelled by completions and the vacation of offices. Thus the speculative development sharply decreased. Prime rents in the Paris region are in the upper segment of rents of European capitals. Only prime rents in London's West End are higher (DTZ Overview of Ile-de-France, 2005).

Investment

The Ile-de-France investment market confirmed its leadership in continental Europe in 2004. Property investment has become more attractive with falling shares and bond prices and the vitality of the rental market. The market has attracted an increasing number of European, Middle Eastern and North American investors. Greater mobility of capital across borders has encouraged national markets to open up to foreign investors (DTZ Overview of Ile-de-France, 2005). Paris and London account for over half of total cross-border property transactions in north-western Europe. Offices are the favoured French investment sector because Retail markets are dominated by a few big investors and retailers. Paris is the preferred location for 86% of all investment in France (*Cahiers de l'IAURIF*).

French investors overtook German funds partly due to the presence of the SIIC which frees public quoted property companies from paying tax on profits. The impact of these capital flows resulted in a widening of yields between low-risk investments in traditional business districts and stressed assets in the industrial sector. UK investors invested €860m into France in 2004 and there is also a large flow of Irish investors who are taking advantage of higher yields, cheaper borrowing and lack of currency risk (DTZ Overview of Ile-de-France, 2005).

M. Bollard stated that a standardised form of business park was exactly what was missing from the Ile-de-France office market and was something investors were looking for. It could be that business parks are at the same stage as Logistics Parks a few years ago. There are not many business park operators in France as was the case with Logistics Parks which have now become investment material because they have been standardised and investors know what they are getting. *Parcs d'activités* as they exist today are not recognised as investment material because they are not a standardised product.

Arlington's strategy is to increase their presence in Europe and to increase their funds under management across continental Europe. They have recently formed a Paris office to handle property investment in France as part of its European expansion strategy. Patrick Deigman, Arlington's chief executive, said: "We are looking at similar appointments in Spain, Italy and Germany, with plans to substantially increase funds under management across Europe, which are close to €600m," (DTZ news).

Supply

There is a shortage of good-quality space in the centre of Paris and it is thought that cheaper high-quality accommodation outside the city could lure occupiers away (PW 2005). Jacques Bagge of Jones Lang LaSalle remarks that currently there is a two-speed market in Paris. The supply of quality space is decreasing as the supply of old stock is increasing, showing that occupiers are demanding better quality offices (Le Figaro Immobilier 2005). Developers are becoming increasingly aware that occupiers are demanding large floorplates (see figure 12: Take-up) but many of the protected buildings in the CBD are not suitable to be converted to these modern standards and tenants will have to look further away (Business Immo 2004).

Christopher Holloway of Capital & Continental estimates that less than 5% of the Paris office stock has false floors and is built to international standards compared to 30%-35% in London. This is mainly due to 1970s and 1980s building restrictions in France. "This provides a fantastic opportunity for developers" says Holloway (McAllister *PW* 2005).

However, Arlington admit (Interview: Young) that their development in Val d'Europe was perhaps built to a specification which was too high for the French market. This can only be reflected in a higher rent to a certain point as there is a rental ceiling (Oberg 2003). This stresses the importance of analysing local demand before transplanting this concept.

Demand

Keers (2001) believes that since powerful multinational companies in technology, media and telecoms have begun to open up in Europe, there may indeed be demand for large-scale unified parks in France. This demand is only just beginning to be recognised by developers. Mr Lemoine of SILIC believes there is a definite demand for companies requiring several buildings on a business park. He believes that people are becoming less keen on high rise buildings and are moving towards campus style activity. There has been a marked increase in demand for single occupier floorspaces over 10,000 sqm in Ile-de-france (Le Figaro Immobilier 2005). Indeed, in 2004, consolidation and mergers, especially in the financial sector, generated interest by companies for large blocks of space. Companies in other economic sectors are also seeking large amounts of office space in order to consolidate eg. Orange and Renault (EuroProperty, 2004).

UK occupiers' views were polled by King Sturge (McIntosh *PW* 2003) and they agreed that corporate change and greater consolidation of companies and activities would lead to fewer but larger buildings which are often available in urban centres. In Ile-de-France, tenants seeking office space of 5,000 sqm or more are moving to the outlying areas of La Défense and Saint Denis. Property managers in the outlying areas are maintaining rents at artificially high levels by offering incentives such as rent-free periods, often for eight months on a six-year lease (EuroProperty, 2004).

The French market could potentially respond well to a business park. Akeler's James Cole considers 'with this type of scheme there is a lower risk in Paris than the UK, because the Paris market is so huge and take-up is so significant.

Generally in Paris, if you get the right building in the right place it will do well. Only old buildings tend to suffer' (McAllister *PW* 2005).

Business park occupiers

The main tenant focus for business parks is multinational companies (Keers 2001) and developers must ensure demand for their projects by establishing that there exists a good penetration of multinationals who will be looking for a standardised office product wherever they set up office. 'If we're going to reproduce a UK model, we need to know that the multinationals are in the country in some strength' (Hill, Healey & Baker; *PW*, 2001). According to the Ile-de-France development agency and Fortune 500, Paris-Ile-de-France is the second pole in the world for the 500 largest international companies, ranking after Tokyo, but before London, New York and Chicago.

The primary concern of these Multinationals is to recruit and retain the best staff and a modern working environment is necessary for this (Keers 2001). James Bronger of CB Richard Ellis asserts, 'the success or failure of business parks is dependent on their ability to help corporates attract and retain staff' (*EG* Oct 2004). Although traditionally a large proportion of workers live in the centre of Paris, Frank Firetto of Arlington believes that more and more people are looking to locate with their families outside of the urban centres, which will make business parks an ideal working location (*L'Officiel de l'immobilier* 2004).

'Commercial real estate does not give cities any decisive competitive advantage in their competition to attract international companies' (Cahiers de l'IAURIF). Surveys of multinationals show that companies do not place much emphasis on the supply of real estate when they consider location. They are more concerned with the economic environment (strength of the economy, access to market etc.) and human factors (labour skills, levels of training, language etc.).

Arlington considers that for their park in the Val d'Europe, the ideal scenario is to anchor head offices of large companies or research and development centres which would give the park its character and image and convince other companies of its attractiveness (Interview: Young). In Paris and London, one of the main drivers of demand is corporate relocation (Cahiers de l'AURIAF). Direct Foreign Investment plays a huge part in the economy of Ile-de-france. This factor has a significant impact on regional employment given that these companies account

for 14% of jobs in Ile-de-France (Région Ile-de-France). London and Paris are in direct competition to attract companies and business parks would provide a comparable product to compete with the UK's choice of property locations.

Cultural factors

Patterns in city centre living are different in the UK and in France. In 'Town Centre Regeneration' written for the OPDM, two models of town centre development are identified. The first is the 'American model' where towns have experienced decentralisation of services, houses and offices (accessible only by car) leaving little more than social housing and car parks in the town centres. The second is the 'Continental model' where there is a 'rich mix of activity' and more people living in higher densities. In continental Europe, the city has always been the unfaltering centre of business and culture with urban dwelling remaining fashionable for all generations and social backgrounds. 'They want vibrancy and energy rather than rural bliss; bistros and clubs rather than sparkling fountains; and a loft apartment within walking distance rather than a parking space' (Lawson *PW* 2002). Cultural and lifestyle differences must be considered in business park development and particularly in its location.

One of the reasons for the difficulty in letting the Val d'Europe is that it is located to the east of Paris, in an area of development, but far from the traditional office locations, 'The Parisian property market views the east rather as the London market views Essex - poor and unfashionable' (Keers 2001). Parisian companies have been much more reluctant to move outside the metropolitan area than companies in London. However, planning legislation in Paris has prevented further development in these areas and occupiers are being forced to look to the North and the East.

Amenities

A feature of business parks in the UK and one which is seen as increasingly important is the additional services and amenities in order to compete with the town-centre offer (Cronin, *EG* 2005). Chiswick Park, for example, provides a gym, crèche facility, bikes and shops. Jim Pickard of the Financial Times asserts that the only thing that can save business parks, 'a relic of the 1980s', is to 'transfer the mixed-use orthodoxy that dominates urban development to out-of-town sites by adding other amenities,' as many property developers are now realising (*FT* 2005). Residential property is being added to some existing

business parks in the UK. At Stockley park, a neighbouring site initially destined for offices is being turned into 180 homes (McAllister *PW*, 2005).

In the UK, with mixed-use being encouraged, business parks are being tailored for the community and are hoped to become places where people will wish to spend more time outside working hours. It is hoped they will provide a pleasant working environment that will enable colleagues to interact and socialise at lunchtime and in the evening (Pio Kivelehan *EG* 2004; Donkin *FT* 2004). 'The whole nature of development is changing as tenants are forced back into towns. The reason they left was to attract staff with easy access and a pleasant environment. Urban business parks will be the pattern for the new century. Companies are chasing staff who increasingly opt to live in city centres but existing offices lack the large floors demanded by modern business' (Lawson *FT* 2000).

French working culture is very different. Although in the UK social factors at work are considered important (Donkin *FT* 2004), French culture is such that there is very limited socialising with colleagues (Interviews: Martin; Roussel; Bollard). This suggests that the concept of business parks where people spend more spare time and perhaps their weekends, may be unattractive in France. These services are very expensive to include and to maintain, particularly if they are not used and if tenants are not prepared to pay a supplement for them. Developers need to think very carefully before including such an extent of services. Research must be carried out among prospective tenants.

Mr Martin believes that users are not willing to pay extra for services. France does not have the service culture of the US where people are happy to pay extra for convenience. CFC development used to offer many extra services but they were not used by the tenants. They now only provide central refuse collection and a courier (Interview: Wauquiez). According to the developers spoken to, the main requirements of the French tenant are security, postal services, ATM and a restaurant (Interviews: Martin; Roussel).

Management

Business park developers usually continue to own and manage the parks once they are completed. Mr Roussel (GVIO) noted that the quality of management is closely related to yields and investment performance. With industrial property,

the Capital Value does not necessarily move in line with rental fluctuations. However, with offices, the Capital Value is closely related to income and therefore effective management can directly affect the rental and thus capital value.

Security of the premises is important. EMGP are developers who transform industrial sites into offices. However, they have had problems with security with women being attacked in their car parks at night. Many company directors believe that mixed-use parks would not be safe for the employees or for the buildings, they require something closed and secure. (Interviews: Martin; Roussel) However, this does not substantiate the common belief in the UK that mixed use assures security with more people circulating over longer periods of time (Rogers *The Independent* 2000; Marsh *The Times* 2003).

CHAPTER 5 RECOMMENDED APPROACH : TWO OPTIONS

From analysing the planning and development factors influencing potential business park development in Ile-de-France, it can be considered that there are two options for a business park developer depending on the level of risk desired. A developer who is experienced in business parks in the UK may wish to transfer this concept to France. A developer wary about entering this new market and the associated risks may wish to explore another possibility highlighted in this report: urban business parks. Two separate strategies, a higher risk strategy and a lower risk strategy are identified as follows:

Higher risk

It is clear that the higher risk is associated with transplanting the UK concept of business parks because this is a new product in Ile-de-France and it will take time for occupiers and investors to be confident about it.

Due to the availability of land, lack of opposition by planning authorities and their focus on economic prosperity, it is more likely to be able to obtain permission to build a large park in France than in the UK. However, France is beginning to implement environmental policy more rigorously (Healey; Williams 1993; *EU Compendium* 2000), particularly with the influence of the EU and this could pose a problem for business parks in the future.

It is difficult to predict whether Arlington's park in Marne-la-Vallée will indeed be a long-term success. Stockley Park, the first ever business park in the UK was dismissed by some in the property industry as a fringe industrial estate when it was first built (Lawson *PW* 2002), and later proved to be a success. Chiswick Park in west London was 'shunned by the property industry' when it was lost by Stanhope during the recession in the late 1980s (Lawson). These parks proved later to offer companies a viable alternative to the centre of London. If timed correctly and business parks anticipate (or create) an out-of-town relocation movement in Ile-de-France, they could be very successful.

Extensive research must be carried out to understand the cultural differences and requirements of French tenants. The most important factors to be considered are location near an educated workforce or with good infrastructure linking employees to the business park. The amenities must be well-researched

for the market. The most important being a choice of restaurant facilities, a crèche and security.

The State's support is essential for gaining permissions, planning and constructing infrastructure and attracting investment in the area. A partnership with a local actor is vital in order to provide knowledge and local expertise. This is Arlington's strategy in Ile-de-France. There may be opportunities related to the *pôles de compétitivité* where the developer would be partnered by the State.

The creation of a Master Plan and flexibility

The developer of any development has to satisfy both the occupier and the investor. The importance of a coherent 'Master Plan' for a business park development is emphasised by many (Waldy; Oberg; Crow; Mobley). 'Research carried out in the early stages can assist in the preparation of an overall master plan which will give cohesion and unity' (Waldy, 1986). This should be flexible to adapt to fluctuations in the market over several years. The extra functions of a business park and the high specification mean that it can be costly to the developer. Therefore it is important that the buildings are flexible for a broad range of requirements for occupiers. They should also offer flexibility of different tenures and leases (Waldy 1986). This flexibility is particularly important when considering transplanting a concept into a different policy framework, market and culture.

Lower risk

The lower risk option may be suitable if a developer decides that cultural obstacles are too great to influence a movement towards greater out-of-town relocation. There are options to look past the out-of-town opportunity and look at opportunities in the '*First ring*', closer to the city centre. These lower-risk schemes would be high-density with mixed use, resembling urban business parks.

This type of scheme would not have some of the more risky elements of the out-of-town business park. It would be close to an educated workforce and the transport network. It could also be located in a growth area with State support such as the north and east of Paris. However, the returns would not be as high because there is more competition from similar schemes.

(See Appendix C for SWOT analyses of the higher and lower risk options)

CHAPTER 6 CONCLUSION

We have seen in Chapter 2 that there is no comparable French developer in the region and so business park development experience would logically come from the UK. Arlington and Akeler are recognising the possibilities in the region and are beginning to develop business parks.

In Chapter 3, it was found that transplantation of the business park concept into the different administrative framework should not pose a problem as a business park is flexible enough to be adapted to local circumstances and planning policy encourages developments which promote economic prosperity.

Chapter 4 details factors in the Ile-de-France property market relative to business parks including amenities and management.

Chapter 5 draws on the findings of the previous chapters which provided an insight into the planning and development climate in Ile-de-France and proposes two separate strategies depending on the developer's approach.

Despite Arlington's high vacancy at the moment, it is likely to be occupied as the central and peripheral space is exhausted and the east of Paris becomes more accepted as a business location. The site is well situated with good infrastructure. If international companies are looking for a standardised product for their offices over the world (Keers 2001), then the campus-style business park would surely offer it. With demand for large modern floor spaces increasing with corporate restructuring, existing companies may not have a choice but to transfer to an out-of-town location.

Despite convergence in planning policy and property markets in Europe, the importance of cultural differences and local factors cannot be underestimated when considering transplanting an idea from one country to another. 'Although the influence of foreign investors has changed certain practices, the harmonisation of national property market regulations appears to be both complex and a still remote prospect. The market environment is still very much affected by local factors' (Cahiers de l'IAURIF). If property trends really do spread from west to east, British developers in Ile-de-France should use their UK experience to try and anticipate these trends. For example, they should locate

near public transport nodes as car-dependency is sure to lessen as environmental policy is more firmly enforced. They should also try to have a spread of tenant types to limit the risks of a downturn in one particular industry.

Further research in this field would include gathering data on current and predicted working pattern trends in Ile-de-France. Commuting patterns should also be analysed as well as residential locations and transport and travel methods. Development trends should be studied in order to discover the best location for a business park. Companies should be interviewed in order to assess their requirements and if they would consider locating out-of-town and the type of amenities they would use. Research should be carried out into how the private development sector will be involved in the government's '*pôles de compétitivité*'; tendering processes, partnerships etc.

There may be opportunities for business parks in Ile-de-France but these will have to be carefully planned and are a higher risk than developments such as urban business parks closer to the city. Although it is possible to look on the Ile-de-France market as being in a less mature phase than the UK market, it is necessary to consider that these competitive capitals are subject to increasingly common legislation and that policies are in fact converging to a certain degree. It is not possible, therefore, to consider the French business park market as it was in the UK twenty years ago.

Due to the different economic context and dominance of city living, the 1980s UK-style business park boom is not likely to occur in Ile-de-France. Instead of the drastic swings between out-of-town and urban development experienced in the UK in the last twenty years, Ile-de-France seems to be developing urban business parks at the same time as offering a better quality out-of-town alternative. Learning from UK experience and achieving a balance between the urban and out-of-town offer, Ile-de-France business parks may be more sustainable than their UK counterparts in the long-term.

FIGURES

FIGURE 1 MAP OF ILE-DE-FRANCE

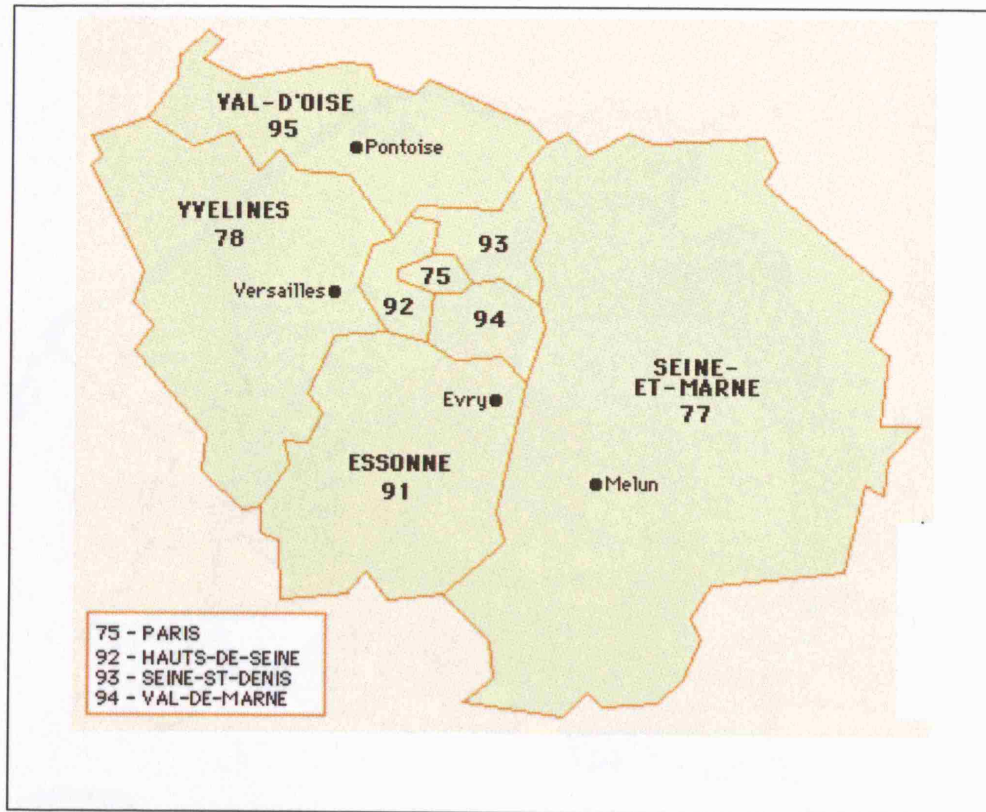


FIGURE 2 MAP OF PARIS OFFICE MARKET



Source: IMMOSTAT

1. Paris

2. Second Ring

This is defined by the boundaries of Paris, comprising;

La Défense

Western Business Districts;

Courbevoie, Puteaux, Nanterre, Suresnes, Levallois, Neuilly, Saint-Cloud, Sèvres, Boulogne et Issy-les-Moulineaux

First ring North;

Aubervilliers, Saint-Denis, Saint-Ouen, Clichy

First ring south;

Vanves, Malakoff, Gentilly, Le Kremlin-Bicêtre, Ivry, Charenton, Montrouge

First ring East

Saint-Mandé, Vincennes, Montreuil, Bagnolet, Les Lilas, Le Pré Saint Gervais, Pantin

3. Third ring

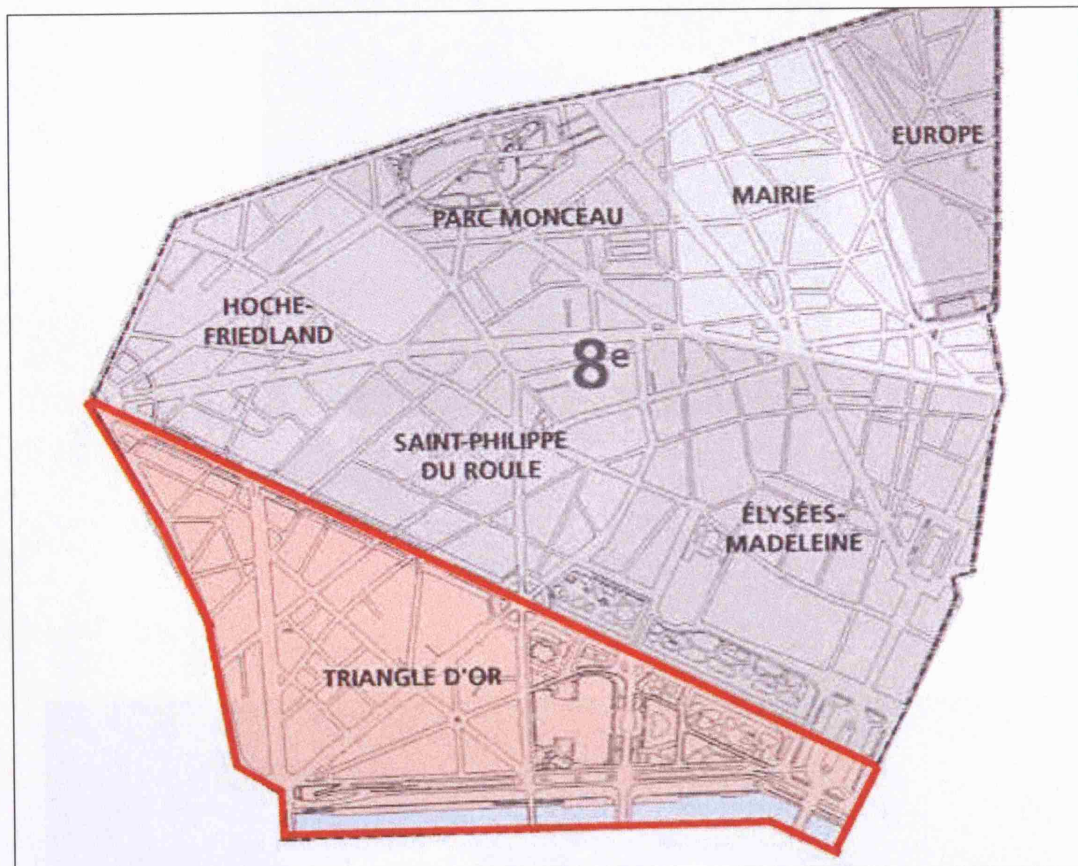
The rest of the communes outside Paris and the second ring; including Villes Nouvelles

FIGURE 3 MAP OF VILLES NOUVELLES AND THIRD RING



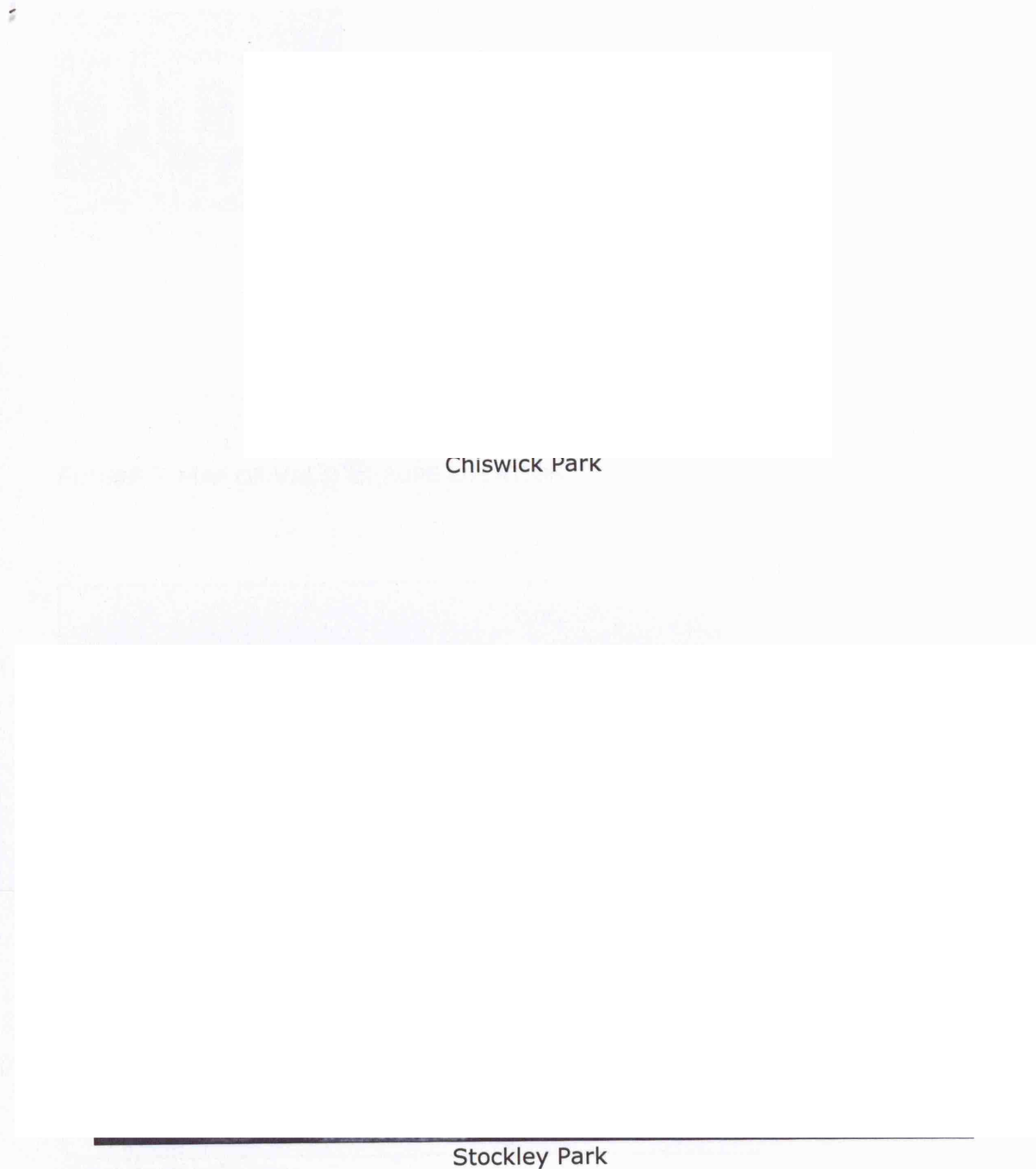
Source: IMMOSTAT

FIGURE 4 THE 'GOLDEN TRIANGLE'



Source: Google

FIGURE 5 TYPICAL UK BUSINESS PARKS



Source: Arlington

FIGURE 6 TYPICAL SILIC DEVELOPMENT



SILIC Antony

FIGURE 7 MAP OF VAL D'EUROPE LOCATION



Source: Val d'Europe

FIGURE 8 MAP SHOWING VAL D'EUROPE DEVELOPMENTS



Source: Val d'Europe

FIGURE 9 ARLINGTON BUSINESS PARK, VAL D'EUROPE



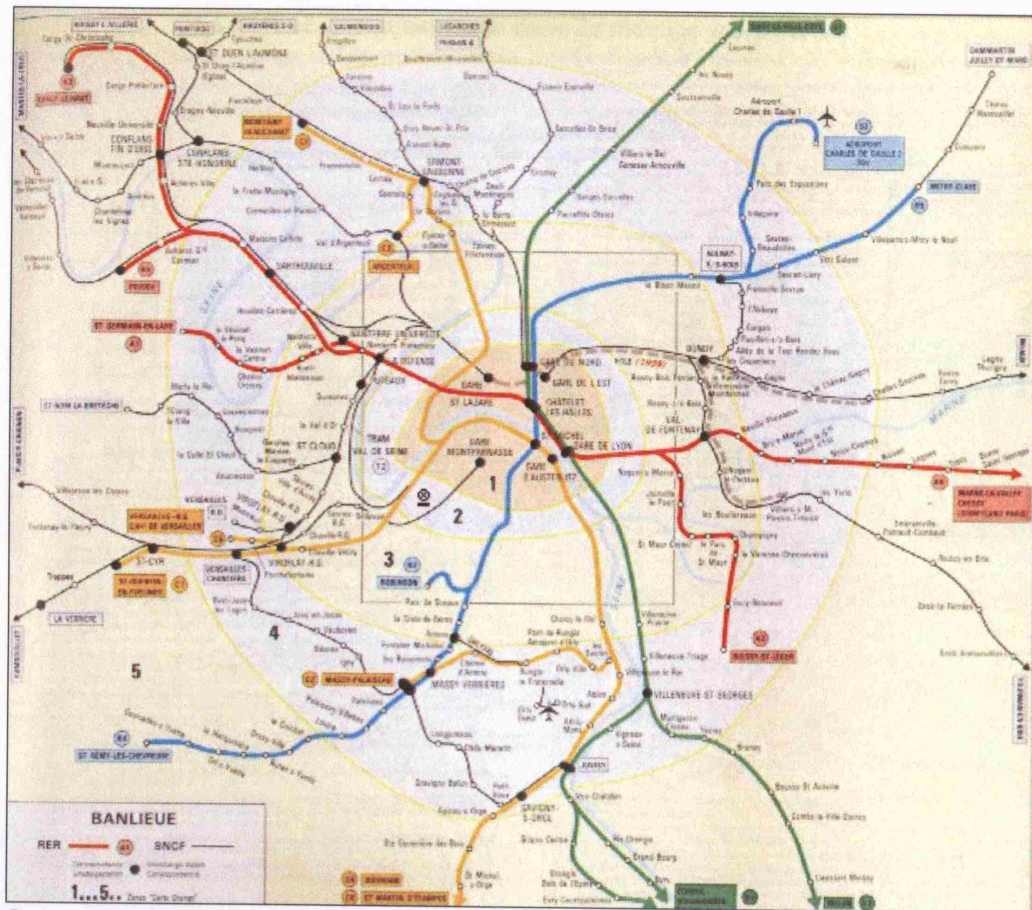
Source: Val d'Europe

FIGURE 10 MAP SHOWING SPECIFIC AREAS IN ÎLE-DE-FRANCE



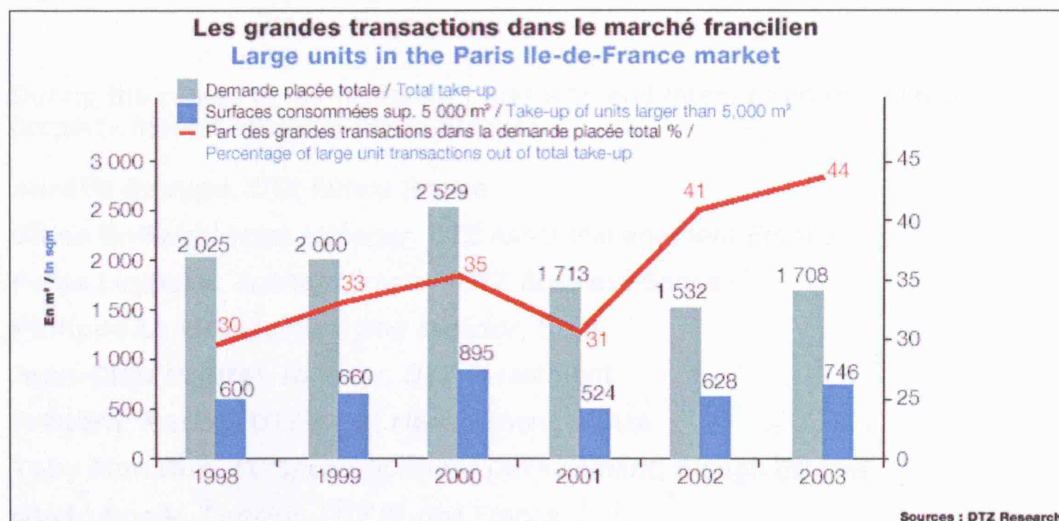
Source: Google

FIGURE 11 MAP OF ÎLE-DE-FRANCE TRANSPORT INFRASTRUCTURE



Source: Yahoo

FIGURE 12 TAKE-UP OF LARGE UNITS IN ILE-DE-FRANCE



APPENDICES

Appendix A Summary of Interviews

During the course of my research, I met with and interviewed the following property market actors in Ile-de-France:

Aurélié Bouyge, DTZ Eurexi France

Gilles Bollard, *Asset Manager*, DTZ Asset Management France

Peter Leyburn, *Agency Director*, DTZ Business Space

Philippe Le Moine, *Managing Director*, SILIC

Jean-Clair Maurel, *Director*, DTZ Investment

Frédéric Martin, DTZ Asset Management France

Toby Monkton, *European Business Development*, Slough Estates

David Poole, *Director*, DTZ Eurexi France

Laurent Roussel, *Asset Management Director*, GvIO

Stephen Young, *Director of European Strategy*, Arlington Securities

Philippe Wauquiez, *Managing Director*, CFC Development

John Duncan, *Director of Trade & Investment*, British Embassy Paris

Below is a summary of the key interviews:

Laurent Roussel – Asset Manager GvIO

GvIO is an Asset Management company operating in Europe, specialising in light industrial and office buildings which are often composed of ground floor tertiary industry and first floor offices. The buildings usually have several tenants to spread the risk of such an investment. The concept of this format of building was initially imported from the UK.

Mr Roussel identified the products in the Ile de France that most closely resemble Business Parks. Europarks/ Parc Clubs began to be present in late 80s beginning 90s and are primarily office buildings grouped on a single site, occasionally with additional services. At the time, these were developed by CFC and Meunier. SILIC has been specialised in industrial property since the 1950s with the same format of warehouse on the Ground Floor and offices above. At the time, they did not build pure office buildings. After the property crash, they began redeveloping many previously industrial sites into offices.

The current Director GvIO had the idea to develop Business Parks in France, but this was just before the crash and didn't work out, but has been intended for small IT companies. GvIO only had French investors to begin with.

Mr Roussel noted that the Quality of Management office sites is closely related to yields and investment performance. With industrial property, the Capital Value

does not fluctuate in line with rent fluctuations. However, with offices, the Capital Value is closely related to income all the time and therefore effective management can affect the rental and thus capital value.

Mr Roussel believes that there are few development opportunities for these buildings and more redevelopments as have already been seen.

Frédéric Martin – DTZ Asset Management

Europarcs are very engineered and similar to one another. They do not provide any facilities and will often set up next to a good restaurant rather than include their own as it is unlikely to work.

EMGP are Business Park developers who manage their properties as well. They also transform a lot of industrial sites into offices. However, they have had problems with security with women having been attacked in their car parks at night.

It is becoming increasingly common that warehouses situated outside the périphérique are becoming office buildings.

SILIC produce all same buildings, with little attention to the architecture. They are usually situated near airports, notably their two main sites next to Orly and Roissy. They have also developed other smaller parks around the Ile de France. Their sites are very often mixed warehouses and offices with tertiary activity. Some of these sites have been redeveloped into retail parks. The tenant profile of these buildings is predominantly head offices.

Villes nouvelles are viewed very unfavourably.

Property demand works in France in the following way. Demand in first and second Couronne swings back and forth. Take-up in second creates vacancies in the first but then people come back to first. The first couronne always remains the area with the least risk, providing a safer investment.

The Plateau de Saclay is a site where the Grandes Ecoles have large premises. The site combines universities and research, but Frédéric does not believe this is a growing sector.

A user with his own premises can expand, but on a business park he is restricted.

At the Parc de Moulin, services are generally absent.

SEDAF realised that developing green spaces allowed them to command higher rents than if they improved the quality of the buildings.

Parcs Club are generally better quality parks. They are more expensive than Europarcs with better services eg. Central security services.

Law about crèches in France, companies must finance crèches and get tax rebate
But cultural, people don't like crèches, would need to be v large for Business Parks

Coeur Défense – Conciergerie

Cultural factor, flowers, clothes, train tickets, but users not willing to pay extra for services

Good for initial promotion of building and often dropped thereafter

Post Office however is very in demand and ATM

Travel agent, not needed now internet, superettes

SILIC – Philippe LEMOINE – Managing Director

M. LEMOINE believes the Business Parks they produce are very comparable to those in the UK. He stated that their park in Roissy is a bit like Stockley Park,

SILIC have one million sqm of Business Parks in the Ile de France region.

They are continuing to develop new sites currently. M. LEMOINE sees the advantage of being nearer to town, but doesn't believe mixed use development is likely for SILIC as 80% of jobs are tertiary in Ile de France, so providing space for this market is good for them.

The tenant profile is large international companies and head offices or regional offices eg. Sara Lee, AXA, LG, Tetrapac.

Their first Business Park was developed by them in 1969 – and they developed more through 70s

At their site in Rungis, they provide extra amenities such as crèches, a gymnasium, dry cleaning, newsagent and – v important
Do satisfaction surveys and consumers really appreciate extra services

Definite demand for companies requiring several buildings, people going off high rise buildings and moving towards campus style activity

People moving away from Villes Nouvelles – less popular

PLANNING – before v tough because had to get planning permission and company also had to get permission to implant; therefore risk. Now, easier as companies don't need permission.

Pôles de compétitivité – thinks there are too many, should maybe only be 10
Synergie of University, Research and Company is logical – definite opportunity
Like Saclay - grandes écoles, centres de recherche

Transport v important

Would never consider public partnership but possibly Private eg are currently considering something with Servistat.

Slough Estates – Toby Monkton – European Business Development

Very different from UK culturally and property market

No real comparable product apart from Val d'Europe which is completely vacant – expensive product far outside of town, not near station, next to motorway

Problems installing Business Parks in France

Mainly cultural problems and tax reasons

French employment laws mean that if company relocates, unions will strongly impose, demand incentives etc. and for people to be made redundant, so very costly. UNIONS very powerful, and employment bureaucracy very costly to companies anyway.

Property in good suburbs is fairly cheap anyway so no need to go to poor location necessarily – not even cost saving

People do not want to drive for miles to get to work , want to be in city with cultural activities and choice of restaurants

Property market very different – UK linear, France waves in and out of first and second couronne. 2nd couronne is probably where there is most opportunity – why go outside of that when can go to urban fringes with benefits

Akeler is in process of developing a site in south

Pôles de compétitivité – happen already – not necessarily opportunity for developers

Logical implantation – incentives from government may help

Have to have knowledge otherwise will be cheated by partner or other parties

No shortage of space in France and zoning means there is little need for mixed use closer to the centre

Residential market saturated anyway

Can't imprint UK concept in France. Industrial / office mix works well

Good product – but can't see it working in France – no demand
Opportunities for developers

Good quality offices exist in areas which are accessible

Parking UK – maximum requirements imposed by planning
France – minimum requirements imposed by planning
Parking affects rent – as cheaper

CFC Development - M. Wauquiez

M. Wauquiez considers Business Parks to have come to the Ile de France region in 1973 or 1974 from America and the UK. CFC Development have developed 17 or 18 such parks with around 80% office space and 20% lab or research premises.

The profile of the tenants is national, international and local companies. The company are once again looking for sites to develop again after a period of stagnation. The parks provide some common services such as security and postal services but no restaurant or cafeteria.

The main difference between these parks and the UK/US parks is the size. CFC's parks are between 4 and 10 hectares. This is mainly due to the fact that in France, it is not possible to buy larger sites because this is prohibited by the authorities. The purchase of large sites becomes very political and would more

usually be done by the State. However, development on greenfield sites is encouraged as there is no shortage of land.

The park concept is viewed unfavourably by some who do not like travelling long distances to go to work. In the end, public transport links to these parks is only used by 10% of people using the parks, the rest prefer to drive.

M. Wauquiez does not consider that Pôles de compétitivité will have any influence on his company's strategy for park development.

Similar patterns in developing are emerging in Paris as those in London in that developments are happening closer to the city centre and therefore the activity on them has to densify.

Gilles Bollard - DTZ Asset Management France

M. Bollard expressed the view that a standardised form of Business Park was exactly what was missing from the Ile-de-France office market and was something investors were looking for. He pointed out that there is no shortage of land in the 1ère couronne. In the 2ème couronne, some sites are more suited to having SMEs with more industrial, wholesaling activities and workshops. These sites are also too far from public transport and are only suitable for SMEs.

M. Bollard believes Business Parks are at the same stage as Logistics Parks were a few years ago. There are not many Business Parks operators in France as before with Logistics Parks which have now become investment material because they have been standardised and investors know what they are getting. For example, Prologis was an American company who have brought the concept of standardised logistics parks to the whole world.

The Parcs d'activités as they exist today are not recognised as investment material because they are not a standardised product. For those who do invest in this type of stock have the advantage of being able to sell buildings individually or the park as a whole. In the Ile-de-France, there are no investors for this type of material because there is no supply, the stock is currently oriented towards being light industrial or warehouses.

It is difficult because investors have to know the market really well and it is sometimes not very transparent.

There was a 'Villa d'entreprise' initiative which attempted to standardise this type of space.

M. Bollard believes users are willing to pay for the extra services that their company would incur anyway and the extra services would save time in organising for the company.

The 1ère and 2ème couronne is no longer heavily industrial, industrial activity is becoming increasingly located further away from the city. Retail market is not ready to be located outside the city and so tertiary activity is ideal to fill this gap. Excellent idea to group buildings together with common services. There is a definite window of opportunity between the 1ère and the 2ème couronne. There are a lot of tenants to manage and problems to overcome, and so a developer will have to be experienced and be able to adapt the product to the market.

As far as M. Bollard is aware, there are no architects or landscapers specialised in this type of property in the Ile-de-France.

M. Bollard does not see a purpose for mixed-use schemes in the Ile-de-France area as activities are heavily zoned dating back to planning regulations from the 1960s and 70s and space is readily available.

Security is a very important factor. Many companies' directors believe that mixed-use parks would not be safe for the employees or for the buildings, they require something closed and secure.

Companies also appreciate being in a network geographically which will enable them to interact. Another possibility is putting companies who work together to create a mini-chain whereby suppliers and providers are located close to one another.

The trend is that developers build and wait for the tenant, but SMEs locate wherever there is space at a reasonable price. Orienting a park for SMEs can be done anywhere.

The concept of Pepinière d'entreprises is an initiative organised at the level of commune whereby they are provided with an office of 10 sqm when they set up their company with common administrative services. When they have evolved and moved out of these premises, there may be an opportunity to provide them with larger premises nearby.

Stephen Young - Director of European Strategy - Arlington Securities

About 4 years ago, Arlington recognised the opportunity in Europe to replicate the success of their 22 UK business parks. They realised this by creating a UK based fund of around £650 million solely for business parks which they saw as a prime growth area. They considered property markets in Europe to be behind that in the UK because many major cities had not already experienced the decentralisation which had occurred in the UK. Companies had not started to move out of the city centre.

They compiled a report with CBRE on the 10 most suitable locations for business parks in Europe. Arlington believed that the most important aspect of developing a business park is in finding the correct location.

Arlington are also developing a site in Lyon and would definitely consider developing more sites in Ile-de-France.

Finding a local partner is a very important part of their strategy. Both local developers because they have the local knowledge and the local authorities to provide support and help with communications. It is very important to have their support in order to buy large chunks of land. They also worked with French architects and landscapers who have made it a little more French. It is easier to work with local partners because they can source opportunities.

Communications and location are the most important factors for a business park to work.

Arlington implanted the business park model straight into France because they consider it to be very flexible. They create a pleasant environment and build high-quality buildings. He did mention that perhaps the buildings in the Val d'Europe were a little too high-quality.

Appendix B Example of Interview

STRATEGY

Could you explain your core business in France?

How do you perceive the current condition of the Out-of-town Office market in Ile-de- France?

BUSINESS PARK MARKET

What type of tenant is attracted by this type of space?

How do you see the long-term future of office-only Business Parks in out-of-town locations?

Do you consider the development of Urban Business Parks on the fringes of the city, eg Issy des Moulineaux, Seine St Denis will be popular in future – more or less than out-of-town?

Do you consider Mixed-Use with residential, retail etc. will be popular in future– more or less than out-of-town?

How important are the characteristics of UK Business Parks ie. cohesive facilities management, amenities, to French occupiers?

What is the main difference between French business parks and those found in the UK?

PLANNING

Is the development of business parks mainly on Greenfield or brownfield sites?

Is this type of space viewed favourably by planning authorities / the State?

Could a Public / Private partnership be considered? Are there already any instances?

How important are Environmental matters for gaining planning permission / investors / tenants / developers?

To what extent do you address transport problems in your Business Park strategy?

How do you see the poles de compétitivité initiative affecting the Ile de France office market? Danger of not having tenant mix?

DEVELOPMENT

What is your future strategy for Business Park development in Ile de France?

Appendix C SWOT analysis of two approaches

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS

Two strategies for entering market: higher risk and lower risk

Higher risk - transplant the model directly from the UK to France

- S** Higher returns; Different product from competitors; Trends seem to show increasing demand for large floor plates and decentralisation; Land is relatively cheap and limitless parking spaces can be provided
- W** Occupiers may not wish to pay high rents for the 'inconvenience' of being out of the city; May have to offer significant incentives to attract tenants; High building costs; Cost of integrating transport into development; Marketing and associated costs of convincing companies to relocate
- O** Out-of-town relocation could become a viable alternative for occupiers and the developer would have anticipated this; Strong implantation of International companies; Pôles de compétitivité opportunities;
- T** Changing cultural factors; Not being able to attract tenants; Planning policy changes; May become less car-dependent with more strict environmental policy with EU laws etc; Out-of-town relocation trend may not happen; Extensive office developments in *Second ring* will absorb demand and provide cheaper accommodation than centre; Poor reputation of business parks in Ile-de-France

Lower risk - modify the model for an urban business park

- S** Offices closer to the city with public transport access will be easier to rent; Close to educated workforce; Command higher rents than out-of-town; Should not have to offer long rent-free periods to attract tenants; Suitable for all tenant types;
- W** Lower returns than high-risk option; Difficult to provide parking; Obtaining permission in some protected areas
- O** State development schemes opportunities - growth areas to north and east of Paris; Opportunities in *First* and *Second ring*.
- T** No product differentiation from competitors; Competition from similar schemes

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